

Office of the State Auditor

Division of State Audit

Judicial Branch Bismarck, North Dakota

Audit Report for the
Biennium Ended June 30, 2007
Client Code 180

Robert R. Peterson
State Auditor



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE MEMBERS

Representative Bob Skarphol – Chairman
Senator Randel Christmann – Vice Chairman

Representatives

Ole Aarsvold
Larry Bellew
Merle Boucher
Kari L. Conrad
Jeff Delzer
Bette Grande
Patrick R. Hatlestad
RaeAnn G. Kelsch
Kenton Onstad
Louis Pinkerton
Blair Thoreson
Francis J. Wald

Senators

Dwight Cook
Jerry Klein
Judy Lee
Harvey D. Tallackson

You may obtain reports by contacting the
Division of State Audit
at the following address:

Office of the State Auditor
600 East Boulevard Avenue – Department 117
Bismarck, ND 58505-0060
(701) 328-2241

Reports are also available on the internet at:
www.nd.gov/auditor/

Contents

<i>Transmittal Letter</i>	<i>1</i>
<i>Executive Summary</i>	<i>2</i>
<i>Introduction</i>	<i>2</i>
<i>Responses to LAFRC Audit Questions</i>	<i>2</i>
<i>LAFRC Audit Communications</i>	<i>3</i>
<i>Audit Objectives, Scope, and Methodology</i>	<i>5</i>
<i>Discussion and Analysis</i>	<i>7</i>
<i>Financial Summary</i>	<i>7</i>
<i>Analysis of Significant Changes in Operations</i>	<i>7</i>
<i>Financial Statements</i>	<i>8</i>
<i>Statement of Revenues and Expenditures</i>	<i>8</i>
<i>Statement of Appropriations</i>	<i>9</i>
<i>Internal Control</i>	<i>11</i>
<i>Control/Fraud Risk Assessment Activities</i>	<i>12</i>
<i>Unified Court Information System Control Weaknesses</i>	<i>13</i>
<i>Review and Approval of Correcting Entries</i>	<i>14</i>
<i>Compliance With Legislative Intent</i>	<i>15</i>
<i>Proper Fixed Assets Records and Inventory</i>	<i>16</i>
<i>Operations</i>	<i>17</i>
<i>North Dakota Supreme Court Website Improvements</i>	<i>17</i>
<i>Management Letter (Informal Recommendations)</i>	<i>19</i>

Transmittal Letter

June 11, 2008

The Honorable John Hoeven, Governor
Members of the North Dakota Legislative Assembly
The Honorable Gerald W. VandeWalle, Chief Justice, Supreme Court

We are pleased to submit this audit of the Judicial Branch for the biennium ended June 30, 2007. This audit resulted from the statutory responsibility of the State Auditor to audit or review each state agency once every two years. The same statute gives the State Auditor the responsibility to determine the contents of these audits.

In determining the contents of the audits of state agencies, the primary consideration was to determine how we could best serve the citizens of the state of North Dakota. Naturally we determined financial accountability should play an important part of these audits. Additionally, operational accountability is addressed whenever possible to increase efficiency and effectiveness of state government.

The in-charge auditor for this audit was Angela Klubberud. Richard Fuher, CPA, and Delan Hellman were the staff auditors. Fred Ehrhardt, CPA, was the audit supervisor and Paul Welk, CPA, was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 328-2320. We wish to express our appreciation to Chief Justice VandeWalle and his staff for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

Robert R. Peterson
State Auditor

Executive Summary

INTRODUCTION

The North Dakota Judicial Branch represents one of the three branches of state government. The Judicial Branch contains the North Dakota Supreme Court, District Courts, Clerks of Court, Judicial Conduct Commission, and several County Clerk of Court offices.

RESPONSES TO LAFRC AUDIT QUESTIONS

The Legislative Audit and Fiscal Review Committee (LAFRC) requests that certain items be addressed by auditors performing audits of state agencies.

1. What type of opinion was issued on the financial statements?

Financial statements were not prepared by the Judicial Branch in accordance with generally accepted accounting principles so an opinion is not applicable. The agency's transactions were tested and included in the state's basic financial statements on which an unqualified opinion was issued.

2. Was there compliance with statutes, laws, rules, and regulations under which the agency was created and is functioning?

Other than our finding addressing "proper fixed assets records and inventory" (page 16), the Judicial Branch was in compliance with significant statutes, laws, rules, and regulations under which it was created and is functioning.

3. Was internal control adequate and functioning effectively?

Other than our findings addressing the "control/fraud risk assessment activities" (page 12), "unified court information system control weaknesses" (page 13), and "review and approval of correcting entries" (page 14), we determined internal control was adequate.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

There were not any indications of a lack of efficiency in financial operations and management of the Judicial Branch, although in our operational work addressing "North Dakota supreme court website improvements" (page 17), we did note an area where greater efficiency could be achieved.

5. *Has action been taken on findings and recommendations included in prior audit reports?*

The Judicial Branch has implemented all recommendations included in the prior audit report.

6. *Was a management letter issued? If so, provide a summary below, including any recommendations and the management responses.*

Yes, a management letter was issued and is included on page 19 of this report, along with management's response.

LAFRC AUDIT COMMUNICATIONS

1. *Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.*

There were no significant changes in accounting policies, no management conflicts of interest were noted, no contingent liabilities were identified or significant unusual transactions.

2. *Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditor's conclusions regarding the reasonableness of those estimates.*

The Judicial Branch's financial statements do not include any significant accounting estimates.

3. *Identify any significant audit adjustments.*

Significant audit adjustments were not necessary.

4. *Identify any disagreements with management, whether or not resolved to the auditor's satisfaction relating to a financial accounting, reporting, or auditing matter that could be significant to the financial statements.*

None.

5. *Identify any serious difficulties encountered in performing the audit.*

None.

6. *Identify any major issues discussed with management prior to retention.*

This is not applicable for audits conducted by the Office of the State Auditor.

7. *Identify any management consultations with other accountants about auditing and accounting matters.*

None.

8. *Identify any high-risk information technology systems critical to operations based on the auditor's overall assessment of the importance of the system to the agency and its mission, or whether any exceptions identified in the six audit report questions to be addressed by the auditors are directly related to the operations of an information technology system.*

ConnectND Finance, Human Resource Management System (HRMS), and the Unified Court Information System (UCIS) are high-risk information technology systems critical to the Judicial Branch.

Audit Objectives, Scope, and Methodology

Audit Objectives

The objectives of this audit of the Judicial Branch for the biennium ended June 30, 2007, were to provide reliable, audited financial statements and to answer the following questions:

1. What are the highest risk areas of the Judicial Branch's operations and is internal control adequate in these areas?
2. What are the significant and high-risk areas of legislative intent applicable to the Judicial Branch and are they in compliance with these laws?
3. Are there areas of the Judicial Branch's operations where we can help to improve efficiency or effectiveness?

Audit Scope

This audit of the Judicial Branch is for the biennium ended June 30, 2007. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Judicial Branch has its central office, Supreme Court, and Law Library at the State Capitol and 11 state funded county clerk of court offices. Each location will be included in the audit scope:

- Central Office
- Supreme Court
- Law Library
- Stutsman County
- Cass County
- Ramsey County
- Walsh County
- Stark County
- Ward County
- Burleigh County
- Morton County
- Grand Forks County
- Richland County
- Williams County

To meet the objectives outlined above, we:

- Prepared financial statements from the legal balances on the state's accounting system tested as part of this audit and the audit of the state's Comprehensive Annual Financial Report and developed a discussion and analysis of the financial statements.
- Performed detailed analytical procedures including computer assisted auditing techniques. These procedures were used to identify high risk transactions and potential problem areas for additional testing.
- Tested internal control and compliance with laws and regulations which included selecting representative samples to determine if controls were operating effectively and to determine if laws were being followed consistently. Nonstatistical sampling was used and the results were projected to the population. Where applicable, populations were stratified to ensure that particular groups within a population were adequately represented in the sample, and to improve efficiency by gaining greater control on the composition of the sample.
- Interviewed appropriate agency personnel.
- Queried the ConnectND (PeopleSoft) ERP system. Given the complexity of the state's accounting system significant evidence was obtained from ConnectND.
- Observed Judicial Branch's processes and procedures.

In aggregate there were not any significant limitations or uncertainties related to our overall assessment of the sufficiency and appropriateness of audit evidence.

Discussion and Analysis

The accompanying financial statements have been prepared to present the Judicial Branch's revenues and expenditures on the legal (budget) basis. The accompanying financial statements are not intended to be presented in accordance with generally accepted accounting principles (GAAP).

For the biennium ended June 30, 2007, operations of the Judicial Branch were primarily supported by appropriations from the state's general fund. This is supplemented by federal funding and fees credited to the agency's operating fund.

FINANCIAL SUMMARY

Revenues and other sources consisted primarily of court imposed fees and fines, federal funds, and transfers from other agencies. Total revenues were \$1,903,123 for the year ended June 30, 2007 as compared to \$2,392,221 for the year ended June 30, 2006. The decrease in total revenue for the audit period reflects the decrease in fees, fines, and forfeit collections. The decrease in fees, fines, forfeits is due to the Judicial Branch no longer collecting an Indigent Defense Facility Fee since the Legal Counsel for Indigents becoming a stand-alone entity in January 2006.

Total expenditures and other uses for the Judicial Branch were \$30,250,917 for the year ended June 30, 2007 as compared to \$30,521,538 for the prior year. The decrease in Professional Services is due to the Judicial Branch no longer paying legal fees since the Legal Counsel for Indigents becoming a stand-alone entity in January 2006. The increase in IT Software is due to the expansion of interactive television and digital audio recording in courtrooms across the state.

ANALYSIS OF SIGNIFICANT CHANGES IN OPERATIONS

The 2005 Legislative Assembly approved Senate Bill No. 2027 providing for the establishment of the Commission on Legal Counsel for Indigents for the purpose of providing indigent defense services and provided for the transition of indigent defense services from the Supreme Court to the commission by December 31, 2005.

Financial Statements

STATEMENT OF REVENUES AND EXPENDITURES

	June 30, 2007	June 30, 2006
<u>Revenues and Other Sources:</u>		
Fees, Fines, Forfeits	\$ 787,719	\$ 1,181,945
Federal Revenue	135,047	244,458
Interest and Investment Earnings	115,463	101,042
Judicial Conduct Board	167,803	157,126
Contributions and Private Grants		47,113
Miscellaneous Revenue	129,282	7,428
Transfers In	567,809	653,109
Total Revenues and Other Sources	\$ 1,903,123	\$ 2,392,221
<u>Expenditures and Other Uses:</u>		
Salaries and Benefits	\$22,294,256	\$21,430,909
Major Operating Expenses:		
Operating Fees and Services	2,706,594	2,620,558
IT Software	592,281	89,570
Travel	590,054	546,149
Professional Supplies	518,359	496,182
IT Contractual Services and Repairs	391,728	323,956
Grants, Benefits, and Claims	340,404	514,677
IT - Data Processing	321,591	326,416
Other Equipment	540,397	124,523
IT Equipment	506,010	100,324
Professional Development	263,077	245,470
Professional Services	194,745	1,679,775
IT - Communications	180,996	173,259
Other Operating Expenses	810,425	688,116
Transfers Out		1,161,654
Total Expenditures and Other Uses	\$30,250,917	\$30,521,538

STATEMENT OF APPROPRIATIONS

For The Biennium Ended June 30, 2007

Expenditures by Line Item:	<u>Original Appropriation</u>	<u>Adjustments</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Unexpended Appropriation</u>
Supreme Court					
Salaries and Wages	\$ 6,522,911		\$ 6,522,911	\$ 6,323,220	\$ 199,691
Operating Expenses	1,927,261	\$ (87,500)	1,839,761	1,518,336	321,425
Capital Assets	8,000	90,000	98,000	74,298	23,702
Judges Retirement	134,931		134,931	119,843	15,088
District Court					
Salaries and Wages	36,952,288	(150,000)	36,802,288	36,116,268	686,020
Operating Expenses	10,694,780	734,918	11,429,698	11,111,026	318,672
Capital Assets	185,500	345,000	530,500	525,988	4,512
Judges Retirement	706,771		706,771	614,544	92,227
Alternative Dispute Resolution	20,000		20,000	5,966	14,034
UND-Central Legal Research	80,000		80,000	80,000	
Indigent Defense					
Indigent Defense 7\05 - 12\05	2,769,101	(1,086,120)	1,682,981	1,682,981	
Indigent Defense 1\06 - 06\07	7,289,267	(7,289,267)			
Judicial Conduct Board					
Judicial Conduct Board	607,530		607,530	602,955	4,575
Totals	<u>\$ 67,898,340</u>	<u>\$(7,442,969)</u>	<u>\$ 60,455,371</u>	<u>\$ 58,775,425</u>	<u>\$ 1,679,946</u>
Expenditures by Source:					
General Fund	\$ 65,168,362	\$(6,627,512)	\$ 58,540,850	\$ 56,898,470	\$ 1,642,380
Other Funds	2,729,978	(815,457)	1,914,521	1,876,955	37,566
Totals	<u>\$ 67,898,340</u>	<u>\$(7,442,969)</u>	<u>\$ 60,455,371</u>	<u>\$ 58,775,425</u>	<u>\$ 1,679,946</u>

Appropriation Adjustments:

Per Senate Bill 2002, Section 5 of the 2005 Session Laws, the Judicial Branch has authority to transfer between line items with Supreme Court approval. Therefore, the Judicial Branch has the authority to transfer between line items without the approval of the Emergency Commission.

Per Senate Bill 2002, Sections 3 and 4 of the 2005 Session Laws, the Judicial Branch is appropriated any funds received by the Supreme Court, District Courts, and Judicial Conduct Commission and Disciplinary Board, not otherwise appropriated, from special funds derived from federal funds and other income and pursuant to federal acts, private gifts, grants, and donations. Therefore, the Judicial Branch has authority to increase appropriation for these funds without the approval of the Emergency Commission.

Expenditures Without Appropriations Of Specific Amounts:

Court Facilities Improvement and Maintenance Fund has a continuing appropriation authorized by NDCC section 27-05.2-08 (\$775,081 of expenditures for this biennium).

Internal Control

In our audit for the biennium ended June 30, 2007, we identified the following areas of the Judicial Branch's internal control as being the highest risk:

Internal Controls Subjected To Testing

- Controls surrounding the processing of revenues.
- Controls surrounding the processing of expenditures.
- Controls effecting the safeguarding of assets.
- Controls relating to compliance with legislative intent
- Controls surrounding the ConnectND (PeopleSoft) system.
- Controls surrounding the computer-based Unified Court Information System (UCIS)

The criteria used to evaluate internal control are published in the publication *Internal Control – Integrated Framework* from the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

We gained an understanding of internal control surrounding these areas and concluded as to the adequacy of their design. We also tested the operating effectiveness of those controls we considered necessary based on our assessment of audit risk. We concluded that internal control was not adequate noting certain matters involving internal control and its operation that we consider to be significant deficiencies.

Auditors are required to report deficiencies in internal control that are significant within the context of the objectives of the audit. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect (1) misstatements in financial or performance information, (2) violations of laws and regulations, or (3) impairments of effectiveness or efficiency of operations, on a timely basis. Considering both qualitative and quantitative factors, we identified the following significant deficiencies in internal control. We also noted other matters involving internal control that we have reported to management of the Judicial Branch in a management letter dated June 11, 2008.

CONTROL/FRAUD RISK ASSESSMENT ACTIVITIES

Finding 07-1

The Judicial Branch does not have a system in place to identify control weaknesses and possible instances of fraud or fraudulent activities in the department's financial and operational areas.

The most important guidance relating to internal control is contained in *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This guidance dictates that a Fraud Risk Assessment program be established and practiced to identify risks of fraudulent type activities, including when special circumstances arise, when changing operating environments, and for restructuring. In addition, the Judicial Branch does not have the necessary control activities designed/documentated to ensure significant fraud exposures are identified and mitigated.

Audit Recommendation and Agency Response

Recommendation:

We recommend the Judicial Branch:

- a) Establish and perform a fraud risk assessment on a recurring basis; and
- b) Design and document the necessary control activities to ensure that each significant fraud exposure identified during the risk assessment process has been adequately mitigated.

Judicial Branch Response:

We are in agreement with the finding and both recommendations. The Judicial Branch will establish a fraud risk assessment program and establish a procedure and management controls to mitigate the identified risks.

UNIFIED COURT INFORMATION SYSTEM CONTROL WEAKNESSES

Finding 07-2

Access controls over the Unified Court Information System (UCIS) are not adequate. We noted the following weaknesses:

- Several individuals have improper access to UCIS and no formal review process is in place to ensure access is limited to those individuals requiring access to perform their duties.
- Adjustments can be made to accounts on UCIS by any Clerk of Court for suspensions, payments from outside receipts, or voids. It was noted that individuals could void a receipt they entered without approval.
- There is no written guidance on how to properly handle suspensions or payments from outside receipts.
- No reconciliation is being performed of adjustments made on UCIS to supporting documentation.

Good internal controls, as documented in the Committee of Sponsoring Organizations (COSO) of the Treadway Commission's *Internal Control – Integrated Framework*, include limiting access to computer systems to only individuals that need access for their job duties. Further, proper segregation of duties reduces the likelihood of errors or irregularities.

Audit Recommendation and Agency Response

Recommendation:

We recommend the Judicial Branch:

- a) Properly designate a knowledgeable individual to review access privileges of the Unified Court Information System on a regular basis and properly restrict access appropriate for individual employee duties.
- b) Document the proper procedures for handling adjustments in the "Cash Management in ND Courts" written policy manual.
- c) Ensure that procedures surrounding adjustments are being followed according to written guidelines by performing a monthly random reconciliation of adjustments made to accounts on UCIS to supporting documentation.

Judicial Branch Response:

We are in agreement with the finding and all three recommendations. The Judicial Branch recognizes the lack of internal controls in its case management system and intends to address this weakness through the planned replacement of the system. We are unable to eliminate these weaknesses because on-site staff must have access to establish accounts, receipt payments, and make adjustment to records as ordered by the court or as proof of payment from outside receipts as received. Because the system does not allow us to restrict access to certain functions, we rely on management control and oversight to protect against fraud or loss. We will train district personnel to perform random audits of voids, suspensions, and adjustments. Random audits will be performed twice a year, as we have insufficient staff to conduct monthly audits of all 53 courts. A planned revision to the "Cash Management in ND Courts" will include documentation of the management controls and audit functions, as well as documentation on handling adjustments, suspensions, and voids.

REVIEW AND APPROVAL OF CORRECTING ENTRIES

Finding 07-3

The Judicial Branch is not properly documenting their review and approval of correcting journal entries in the PeopleSoft general ledger.

An individual independent of preparation should review and approve all correcting entries after being posted to PeopleSoft to ensure they have been entered correctly. There was no documented review after correcting entries had been posted by the Office of Management and Budget or Office of State Treasurer, nor was there a review of correcting entries posted by the Judicial Branch. Without a proper review, errors or irregularities may go undetected.

Audit Recommendation
and Agency Response

Recommendation:

We recommend the Judicial Branch have an appropriate individual review and approve all correcting entries including entries posted by the Office of Management and Budget and the Office of State Treasurer.

Judicial Branch Response:

We are in agreement with the finding and recommendation. The Judicial Branch has not always been aware of when changes have been made by Executive Branch agencies and requests notification whenever adjustments are made by the State Treasurer's Office. Upon notification, accounting staff will review and approve any changes.

Compliance With Legislative Intent

In our audit for the biennium ended June 30, 2007, we identified and tested Judicial Branch's compliance with legislative intent for the following areas that we determined to be significant and of higher risk of noncompliance:

Legislative Intent Included In Our Audit Scope

- Proper collection of fees of the district court for civil cases in accordance with NDCC 27-05.2-04 and NDCC 27-05.2-03.
- Proper collection of electronic filing processing fees and filing fees in accordance with NDCC 27-03-05.
- Proper collection of insufficient funds fee in accordance with NDCC 12.1-32-08.
- Proper deposit of collections and use of the following legally restricted funds:
 - Special Court Receivables Funds in accordance with NDCC 27-05.2-04.
 - Court Facilities and Improvement Fund in accordance with NDCC 27-05.2.
 - Indigent Defense Administration Fund in accordance with NDCC 29-07-01.1.
 - Electronic Filing Administration Fund in accordance with NDCC 27-03-05.
 - Judicial Conduct Commission Fund in accordance with NDCC 27-23-12.
 - Judges Retirement Fund in accordance with NDCC 27-17-05.
 - Restitution Collection Assistance Fund in accordance with NDCC 12.1-32-08.
- Proper use of the State Treasurer (State Constitution article X, section 12).
- Compliance with appropriations and related transfers (2007 North Dakota Session Laws chapter 30).
- Proper use of outside bank accounts, petty cash funds, and proper authority for investments outside the Bank of North Dakota.
- Adequate blanket bond coverage of employees (NDCC section 26.1-21-08).
- Compliance with fixed asset requirements including record keeping, surplus property, lease and financing arrangements in budget requests, and lease analysis requirements.
- Compliance with payroll related laws including statutory salaries for applicable elected and appointed positions, and certification of payroll.

The criteria used to evaluate legislative intent are the laws as published in the *North Dakota Century Code* and the *North Dakota Session Laws*.

Government Auditing Standards requires auditors to report all instances of fraud and illegal acts unless they are inconsequential within the context of the audit objectives. Further, auditors are required to report significant violations of provisions of contracts or grant agreements, and significant abuse that have occurred or are likely to have occurred.

The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. The finding is described below. Other than this finding, we concluded there was compliance with the legislative intent identified above. We also noted certain inconsequential instances of noncompliance that we have reported to management of the Judicial Branch in a management letter dated June 11, 2008.

Finding 07-4

PROPER FIXED ASSETS RECORDS AND INVENTORY

The Judicial Branch uses the PeopleSoft Asset Management System to maintain a list of their fixed assets but they do not have procedures in place to ensure this system is updated on a timely basis. Several items that were noted during the fiscal year 2006 inventory to be broken or sent to Surplus Property were still recorded as "In Service" on PeopleSoft. Additionally, the Judicial Branch does not have procedures to complete an annual inventory of fixed assets as no inventory was taken during fiscal year 2007.

Section 44-04-07 of the North Dakota Century Code (NDCC) states all agencies shall maintain a complete and current inventory record of all property of sufficient value and permanence and each year shall take an inventory of such property. As a result, the Judicial Branch is not in compliance with NDCC.

Audit Recommendation
and Agency Response

Recommendation:

We recommend the Judicial Branch maintain complete and current fixed assets records and take an annual fixed assets inventory in accordance with section 44-04-07 of the North Dakota Century Code.

Judicial Branch Response:

We are in agreement with the finding and recommendation. Fixed Assets records will be reconciled with PeopleSoft and an annual inventory process will be developed and implemented

Operations

Operational
Improvement 07-1

In our audit for the biennium ended June 30, 2007, we identified and investigated the Judicial Branch's operations surrounding available online services. A website comparison of the North Dakota Courts website to other high ranking court related websites was performed. Our audit identified the following areas of potential improvements to operations:

NORTH DAKOTA SUPREME COURT WEBSITE IMPROVEMENTS

Overview:

Justice Served, www.justiceserved.com, a California-based court management consulting firm, releases a yearly top ten court related website list. Websites are evaluated based on court functionality, web functionality, and special features comparative to what other court websites offer. These websites offer the latest news and court management and technology services for lawyers, judges, students, and the general public.

Court functionality concerns a user's ability to perform court business online rather than making a personal appearance at the courthouse, such as E-filing, form completion (downloadable or online), obtaining self-help information, paying fines and fees online using a credit card, and being able to access a searchable database of court cases, are all forms of online business. Web functionality evaluates how the site is laid out, including links to other web resources of interest, good design in color/layout, and ease of navigation. Special features considered include search engine accessibility, feedback options, how often the data is updated, and if the site is geared towards the general public.

We conducted a comparative analysis of the North Dakota Courts website (www.ndcourts.com) to several of the websites recognized as a top ten court related website for 2007 by Justice Served to improve efficiency and effectiveness of services provided by the North Dakota Judicial Branch and county clerks of court offices.

Observations:

The ND Judicial Branch website, www.ndcourts.com, provides legal and court related information to lawyers, judges, and the general public. The ND Judicial Branch posts its opinions, notices of proposed rule changes, current ND rules, argument and hearing schedules, and links to other legal resources. Lawyers, judges, and other members of the public may also subscribe, at

no charge, to receive e-mail notices whenever new opinions are posted or when Court notices are posted. The website also allows users to search court cases, the court calendar as well as look up contact information for court officers. While credit cards are not accepted online, all eleven of the state funded clerks of court offices do accept credit cards in person or over the phone.

However, in our analysis of the North Dakota Judicial Branch websites, we observed that the North Dakota Judicial Branch website is not a user-friendly site for the general public. The website layout and terminology is geared towards those who are very familiar with legal terms and the court system and does not provide clear guidance for the general public. Navigation of the ND court website can be difficult for the first-time user. Information that a first-time user of the court system may have regarding court procedures, rules, required forms, and directions on where to find additional information are difficult to find or missing.

Operational Improvement:

We recommend the Judicial Branch update the North Dakota Judicial Branch website to be more user-friendly to the general public. We recommend the website provide a "frequently asked questions" or "self-help section" geared toward the general public. Additionally, the Judicial Branch should develop and provide brochures as guides for the general public on court procedures and rules for the different types of cases and make them easily accessible online. Checklists would also be helpful to the general public to determine which forms are necessary. Until these enhancements can be made, the Judicial Branch should ensure that all forms available online are in a fill-able format. The Judicial Branch should ensure that the replacement system for the Unified Court Information System include e-filing, online payments, and electronic storage.

Judicial Branch Response:

We are in agreement with the finding and recommendation.

Since the audit was conducted, all forms on the website have been migrated to an on-line fillable format. We are nearing completion of an on-line payment function and anticipate deploying the function by year end. A website editorial board has been established to consider changes to the website design and function. Audit suggestions will be reviewed by the editorial board.

Management Letter (Informal Recommendations)

June 11, 2008

The Honorable Gerald W. VandeWalle
Chief Justice
Supreme Court
600 E. Boulevard Avenue
Bismarck, ND 58505

Dear Chief Justice VandeWalle:

We have performed an audit of the Judicial Branch for the biennium ended June 30, 2007, and have issued a report thereon. As part of our audit, we gained an understanding of the Judicial Branch's internal control structure to the extent we considered necessary to achieve our audit objectives. We also performed tests of compliance as described in the same report.

Our audit procedures are designed primarily to enable us to report on our objectives including those related to internal control and compliance with laws and regulations and may not bring to light all weaknesses in systems and procedures or noncompliance with laws and regulations which may exist. We aim, however, to use our knowledge of your organization gained during our work to make comments and suggestions which we hope will be useful to you.

In connection with the audit, gaining an understanding of the internal control structure, and tests of compliance with laws and regulations referred to above, we noted certain conditions we did not consider reportable within the context of your audit report. These conditions relate to areas of general business practice or control issues that have no significant bearing on the administration of federal funds. We do, however, want to present our recommendations to you for your consideration and whatever follow-up action you consider appropriate. During the next audit we will determine if these recommendations have been implemented, and if not, we will reconsider their status.

The following present our informal recommendations.

CASH

Informal Recommendation 07-1: We recommend the Judicial Branch have someone independent of drawing down federal funds perform a reconciliation of the federal funds shown by the federal government as paid to the Judicial Branch to the federal revenue reflected on PeopleSoft.

ACCOUNTS PAYABLE/EXPENDITURES

Informal Recommendation 07-2: We recommend the Judicial Branch establish a formal purchase card policy and ensure purchase card holder single purchase limits and MCC restrictions agree to the purchase card policy.

Informal Recommendation 07-3: We recommend the Judicial Branch ensure the roles of general ledger data entry and approval are properly segregated.

Informal Recommendation 07-4: We recommend the Judicial Branch ensure a non-card holder reconciles individual purchase card statements to GE's Strategic Account Management (SAM) database Detail Transaction report and sign off on the reconciliation.

LEGISLATIVE INTENT

Informal Recommendation 07-5: We recommend the Judicial Branch:

- Use the Bank of North Dakota to deposit all funds from credit card transactions, or
- Receive written approval from the Bank of North Dakota to use another bank other than the Bank of North Dakota for depositing all funds from credit card transactions.

GENERAL

Informal Recommendation 07-6: We recommend the Judicial Branch update their code of conduct and ensure employees acknowledge receipt of the code of conduct on an annual basis.

Management of the Judicial Branch agreed with these recommendations.

I encourage you to call myself or an audit manager at 328-2320 if you have any questions about the implementation of recommendations included in your audit report or this letter.

Sincerely,

Angela Klubberud
Auditor in-charge